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SUBJECT: KAZAKHSTAN: VIGNETTES OF PUBLIC OPINION: RBK  
CUSTOMS UNION, U.S. ASSISTANCE

Classified By: Ambassador Richard E. Hoagland: 1.4 (b), (d)

11. (SBU) INTRODUCTION: On January 23 in Almaty, the Ambassador was the key-note speaker at the founding session of Kazakhstan's chapter of the Young Presidents Organization (YPO), an international group for CEOs of mid-level (or larger) companies who must meet stringent international standards of transparent business practices. Seventeen self-made CEOs participated, at least half already well-known to the Mission. YPO operates according Chatham House rules and encourages frank and open discussion. During the six-hour event, we heard several interesting points of view about the Russia-Belarus-Kazakhstan Customs Union, and about U.S. government assistance to Kazakhstan. END INTRODUCTION.

RUSSIA-BELARUS-KAZAKHSTAN CUSTOMS UNION (RBK-CU)

12. (C) One CEO of a major freight-transfer company reported that in the final quarter of 2009, transportation and customs-clearance companies recorded a surge in imports. However, since January 1, this has not shown up "on the shelves." In fact, in a number of sectors, shortages of retail goods appear to be increasing. The CEO said this suggests strongly that retailers are waiting to charge the increased RBK-CU tariffs, which could lead to significant inflation. For example, last year a Toyota Land Cruiser cost about \$75K retail in Kazakhstan, he said. This year, it will cost about \$125K "because we now have to charge the Russian customs tariff." Further, in June, customs-clearance companies will have to deposit one million euros cash with the Customs Committee, rather than have standard business insurance, as is now the case. The CEO said, "I'm big enough that I don't care, except I'll lose the 7.5% interest I could get on that million. But I can handle that." He added he was worried this deposit requirement will force smaller companies out of business. He claimed that the deposit is at the demand of Russia, whose policies disadvantage small businesses.

13. (C) Several of the CEOs agreed that Russia is more corrupt and bureaucratic than Kazakhstan. They said, "Our businesses are more nimble, but inevitably the Russian culture will ooze in." They asked why foreign investors would want to come to Kazakhstan rather than to Russia "when

our labor pool is a tenth of the size of Russia's and much less well-educated -- and especially when the Customs Union will require us to phase out our Free Trade Zones." Another CEO commented, "We're trying to meet European standards. We don't want to be dragged down to Russian standards. We can complain all we want about tariffs, but the real danger is that our business culture will suffer."

#### U.S. ASSISTANCE

¶4. (C) Reacting to rumors that Kazakhstan is considering rejecting U.S. foreign assistance to Kazakhstan because it is fed up with its "dignity being insulted" by the semi-annual Congressionally-mandated human-rights certification process, one CEO said, with others nodding agreement, "\$20 million? That's small change -- it has no meaning! Rejecting \$20 million from the United States would be seen by the Kazakhstani public as a glamorous and bold statement of sovereignty. Russia and China pour in billions in investment and never, ever criticize us. Why don't you do something to win hearts and minds? Our education and health-care systems are sub-standard. Why don't you give us \$2 billion a year for those sectors? Why don't you do something concrete rather than preach and posture? Your ideology is very rigid. We love America, but we don't understand your government. You seem very Soviet to us; you demand we conform, when, in fact, we think we're doing quite well."

HOAGLAND